

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF DELMARVA POWER &amp; LIGHT</b>	)	
<b>COMPANY FOR APPROVAL OF</b>	)	<b>PSC DOCKET NO. 16-0889</b>
<b>MODIFICATIONS TO ITS GAS</b>	)	
<b><u>COST RATES (Filed August 26, 2016)</u></b>	<b>)</b>	

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**PROPOSED SETTLEMENT**

Delmarva Power & Light Company (“Delmarva” or the “Company”), the Delaware Public Service Commission Staff (“Staff”), and the Division of the Public Advocate (“DPA”), individually each a “Party,” and collectively, the “Parties,” hereby propose a complete settlement of all issues in this proceeding (“Proposed Settlement”) as follows.

**I. INTRODUCTION AND PROCEDURAL BACKGROUND**

1. On August 26, 2016, Delmarva filed an application (the “Application”) with the Delaware Public Service Commission (the “Commission”) to modify its Gas Cost Rate (“GCR”) factors effective for usage on and after November 1, 2016, with proration, as follows: (1) revise the GCR demand and commodity charge applicable to Service Classifications Electing MVG and LVG; (2) revise the volumetrically applied GCR factors applicable to the RG, GG and GL, Service Classifications; (3) approve the proposed Balancing Charge and Pressure Support Fee for the November 2016 – October 2017 GCR period; and (4) approve changes to the Company’s tariff.

2. In its Application, Delmarva proposed the following rate adjustments:

Rate Schedules	Current	Proposed	Change
RG, GG, GL	39.467¢/ccf	44.995¢/ccf	5.528¢/ccf
Electing LVG and MVG	\$1.7022/Mcf	\$1.7148/Mcf	0.0126¢/Mcf
Standby Service	\$1.7022/Mcf of Standby MDQ	\$1.7148/Mcf	0.0126¢Mcf

3. If the GCR rates proposed in the Application were approved, residential space heating customers using 120 ccf in a winter month would experience an increase of \$6.63, or 5.8%, in their total bill. Customers served on Service Classification MVG would experience an increase ranging between 6.8% and 10.4% on their winter bills, depending on their load and usage characteristics. Customers served on Service Classification GG would experience an increase ranging from 2.5% to 7.6%.

4. On September 20, 2016, the Commission issued Order No. 8942, allowing the GCR factors to become effective with usage on and after November 1, 2016, with proration, on a temporary basis and subject to refund, pending evidentiary hearings and a final decision by the Commission.

5. During the course of this proceeding, the Parties conducted written discovery in the form of both informal and formal data requests.

6. Additionally, throughout the year, as well as during the proceeding, the Parties met on several occasions to discuss various issues, including hedging, natural gas markets, capacity, and other issues related to the acquisition of natural gas supply for Delmarva's natural gas customers. The Parties intend to continue these meetings on a regular basis. Staff has also conducted monthly audits of Delmarva's GCR sales, revenues and costs.

7. The Parties have conferred and have agreed to enter into this Proposed Settlement on the terms and conditions contained herein because they believe that resolving the matter by stipulation will serve the public interest, while meeting the statutory requirement that rates be both just and reasonable. The Parties agree that the terms and conditions of this Proposed Settlement will be presented to the Commission for its approval at the evidentiary hearing scheduled for April 20, 2017.

## **II. SETTLEMENT PROVISIONS**

8. **GCR Rates:** The Parties agree that the proposed GCR rates filed by Delmarva in its Application should be approved as final, subject to true-up in Delmarva's 2017-18 GCR proceeding.

9. **Natural Gas Hedging Program:** The Parties agree that Delmarva will continue to execute its Gas Hedging Program in accordance with the Settlement approved in Docket No. 08-266F, and further agree to continue to hold quarterly hedge meetings to review and discuss the hedging program, and, upon consensus, make any potential modifications to the hedging program mechanics.

10. **Capacity Reserve Margin.** Until such time as the Commission issues an order rendering its findings on the Company's 2017-18 GCR application, for purposes of determining whether there is sufficient natural gas supply and transmission capability to permit a non-core or transportation service customer to return to sales service, a reduction in the Company's projected capacity reserve margin to two (2) percent and less would constitute a finding that inadequate capacity is available to permit the return of non-core or transportation service customers to sales service. Once the Commission issues its order rendering its findings in the 2017-18 GCR application, the provisions of this Paragraph 10 shall automatically become null and void and have no further force or effect.

11. **Additional Upstream Pipeline Capacity.** Until such time as the Commission issues an order rendering its findings on the Company's 2017-18 GCR application, the Company will not enter into a Precedent Agreement for additional long-term capacity unless Staff and the DPA agree that the acquisition of additional capacity is reasonable. Furthermore, the Company's decision-making process for future increases in pipeline firm transportation capacity will continue to include the solicitation and evaluation of citygate-delivered peaking services. Once the Commission issues its order rendering its findings in the 2017-18 GCR application, the

provisions of this Paragraph 11 shall automatically become null and void and have no further force or effect.

### **III. ADDITIONAL PROVISIONS**

12. The provisions of this Proposed Settlement are not severable.

13. This Proposed Settlement represents a compromise for the purposes of settlement and shall not be regarded as a precedent with respect to any ratemaking or any other principle in any future case. No Party to this Proposed Settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or the resolution of any particular issue in agreeing to this Proposed Settlement other than as specified herein, except that the Parties agree that the resolution of the issues herein taken as a whole results in just and reasonable rates.

14. To the extent opinions or views were expressed or issues were raised in the pre-filed testimony that are not specifically addressed in this Proposed Settlement, no findings, recommendations, or positions with respect to such opinions, views or issues should be implied or inferred.

15. The Parties agree that this Proposed Settlement will be submitted to the Commission for a determination that it is in the public interest and that no Party will oppose such a determination. Except as expressly set forth herein, none of the Parties waives any rights it may have to take any position in future proceedings regarding the issues in this proceeding, including positions contrary to positions taken herein or in previous cases.

16. This Proposed Settlement will become effective upon the Commission's issuance of a final order approving it and all of its terms and conditions without modification. After the issuance of such final order, the terms of this Proposed Settlement shall be implemented and enforceable notwithstanding the pendency of a legal challenge to the Commission's approval of this Proposed Settlement or to actions taken by another regulatory agency or Court, unless such

implementation and enforcement is stayed or enjoined by the Commission, another regulatory agency, or a Court having jurisdiction over the matter.

17. The obligations under this Proposed Settlement, if any, that apply for a specific term set forth herein shall expire automatically in accordance with the term specified and shall require no further action for their expiration.

18. The Parties may enforce this Proposed Settlement through any appropriate action before the Commission or through any other available remedy. Any final Commission order related to the enforcement or interpretation of this Proposed Settlement shall be appealable to the Superior Court of the State of Delaware, in addition to any other available remedy at law or in equity.

19. If a Court grants a legal challenge to the Commission's approval of this Proposed Settlement and issues a final non-appealable order that prevents or precludes implementation of any material term of this Proposed Settlement, or if some other legal bar has the same effect, then this Proposed Settlement is voidable upon written notice by any Party to the other Parties.

20. This Proposed Settlement resolves all of the issues specifically addressed herein and precludes the Parties from asserting contrary positions during subsequent litigation in this proceeding or related appeals; provided, however, that this Proposed Settlement is made without admission against or prejudice to any factual or legal positions which any of the Parties may assert (a) if the Commission does not issue a final order approving this Proposed Settlement without modifications; or (b) in other proceedings before the Commission or another governmental body so long as such positions do not attempt to abrogate this Proposed Settlement. This Proposed Settlement is determinative and conclusive of all of the issues addressed herein and, upon approval by the Commission, shall constitute a final adjudication as to the Parties of all of the issues in this proceeding.

21. This Proposed Settlement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission fails to grant such approval, or modifies any of the terms and conditions herein, this Proposed Settlement will terminate and be of no force and effect, unless the Parties agree in writing to waive the application of this provision. The Parties will make their best efforts to support this Proposed Settlement and to secure its approval by the Commission.

22. It is expressly understood and agreed that this Proposed Settlement constitutes a negotiated resolution of the issues in this proceeding.

23. This Proposed Settlement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. If any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the person or entity executing it (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

IN WITNESS WHEREOF, intending to bind themselves and their successors and assigns, the undersigned Parties have caused this Proposed Settlement to be signed by their duly-authorized representatives.

**DELAWARE PUBLIC SERVICE COMMISSION STAFF**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**DELMARVA POWER & LIGHT COMPANY**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**DIVISION OF THE PUBLIC ADVOCATE**

By: \_\_\_\_\_

Date: \_\_\_\_\_